



GLOBAL
EMPLOYER
GUIDE

MEXICO





Basic Country Facts

Full name

- United Mexican States

Capital

- Mexico City

Main Languages

- Spanish
- Catalan
- Indigenous Languages
- English

Population

- 126.2 million

Monetary unit

- Mexican peso

Internet domain

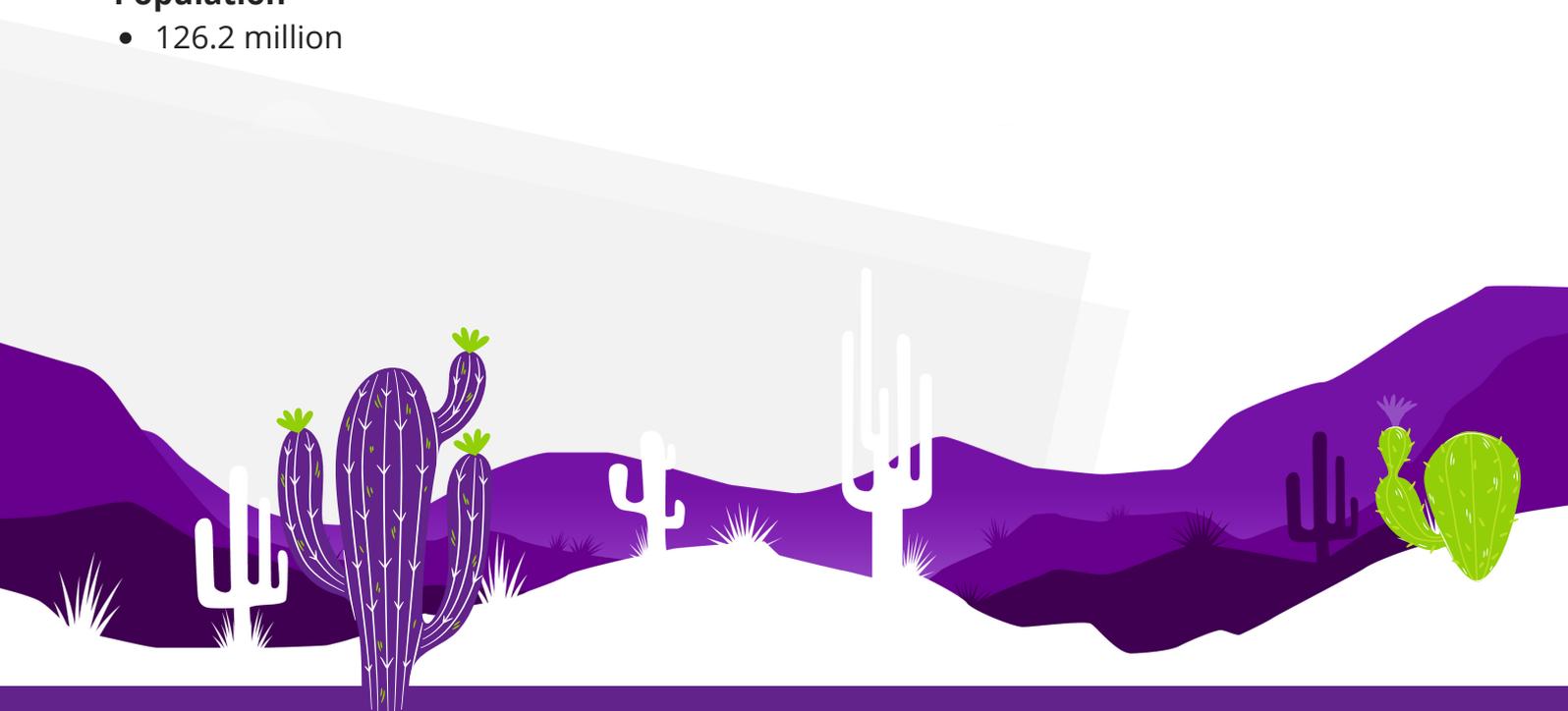
- .mx

International dialing code

- +52

Currency

- Mexican peso



STATUTORY LABOR REQUIREMENTS

Probation Period

- Where the employment contract is to last for more than 180 days or for an indefinite period, the employer may put in place a probationary period of up to 30 days.
- This period can be extended by up to 180 days for managerial, technical or professional positions.

Annual Leave

- Employees in Mexico are entitled to an annual vacation entitlement of 6 days after the first full year of employment.
- For every year the employee continues to work for the employer, he/she will receive an additional 2 vacation days.
- After 4 years, employees' vacation period will increase only 2 days for each additional five years he/she works for the employer.

Public Holidays

- New Year's Day (1st January)
- Constitution Day (3rd February)
- Benito Juarez's birthday (16th March)
- Labor Day/May Day (1st May)
- Grito de Dolores (Independence Day) (16th September)
- Revolution Day (16th November)
- Election Day (every 6 six years for election of the President)
- Christmas Day (25th December)



Maternity Leave

- Female employees have a right to maternity leave consisting of six weeks' paid leave before the estimated due date, and six weeks' paid leave after birth.
- Maternity leave is paid for by Social Security, not the employer. The payment is capped at 25 times the minimum wage.

Paternity Leave

- Fathers are entitled to 5 paid days of paternity leave.

Sick Leave

- In general, the employer may grant permission for sick leave to employees provided there is a reason that justifies the absence, which can be with or without pay and will be approved at the discretion of the immediate Manager or General Manager.
- Medical certificates should be provided by the employee who is eligible to claim a government subsidy in the amount of 60% of their salary when suffering from an illness not related to work.
- This increases to 100% when the illness is work-related.
- For those employees with higher salaries than capped by Law, some companies pay the difference of the income not received by the employee by Social Security Payment.

Work Hours

- The work week comprises six working days, but the distribution of hours can be agreed so that employees have all, or part of, Saturday and Sunday as regular days off.

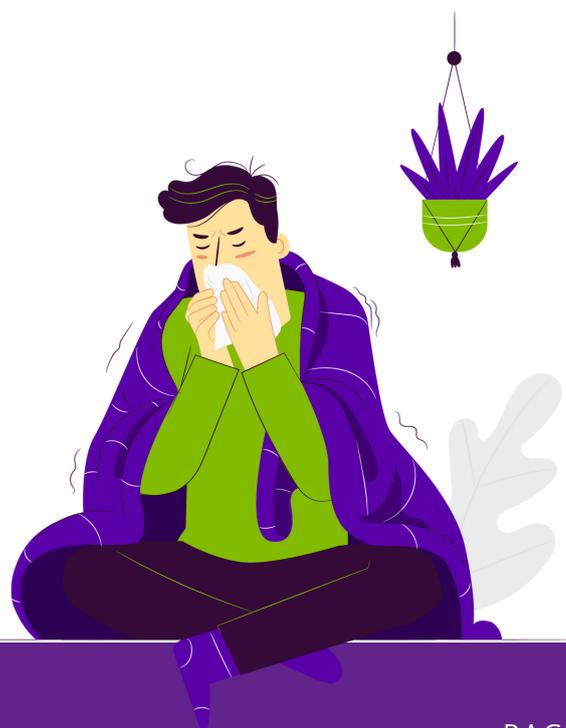
- In general, most office job hours run from 8:00 a.m. to 6:00 p.m., although working hours are now becoming longer and often go until 7:00 p.m. or later.

Overtime

- If work time limits are passed, compensation of overtime is compulsory.
- Overtime is paid at 150% of the normal payment.
- Employers must pay 200% for overtime on Sundays or Bank Holidays.
- Work time is limited to 11 hours per day and 50 hours per week.

Notice Period

- There is no obligation under the law for either employers or employees to notify the other party in advance of a dismissal or resignation.
- Notice obligations for employees are not recognizable or enforceable under local law.
- Only notice obligations for employers can be enforced if they have been agreed to; however, it is not common for employers in Mexico to agree to notify employees in advance of their employment termination.



Severance

- Employees hired for an indefinite term who are dismissed without a just cause (as defined in the FLL) are entitled to claim reinstatement or the payment of mandatory severance comprised of the amounts described below (note that "daily total compensation" is equal to the employee's daily base salary, plus the daily proportion of any employment benefits ordinarily paid to the employee):
 - 90 days of daily total compensation.
 - 20 days of daily total compensation for each year of service that the employee has worked.
 - 12 days of daily base salary for each year of service that the employee has worked (for purposes of calculating this, employees' salary is capped at twice the amount of the daily minimum wage).
 - Any accrued salaries and benefits (including paid vacation, vacation premium, Christmas bonus and any other accrued benefit).

13th Month

- Mexican law also mandates that employees receive a 13th month bonus (Aguinaldo bonus) at the end of the year, which must be paid by December 20.
- Some employers also pay a 14th month bonus, in which they share profits of the previous year; these payments must be made by May 31



Income Tax

- Resident individuals are subject to Mexican income tax on their worldwide income, regardless of their nationality.
- Non-residents, including Mexican citizens who can prove residence for tax purposes in a foreign country, are taxed only on their Mexican-source income.
- Taxable employment income includes salaries, wages, directors' fees, bonuses, gratuities, allowances, certain fringe benefits, benefits in kind and statutory employee profit-sharing distributions.
- Education allowances provided by employers to their expatriate or local employees are taxable for income tax and social security purposes if the allowances are not generally provided to all the employees under the applicable rules for fringe benefits.



Taxable income (MXN)		Basic tax	
Over	Not Over	Tax on column 1 (MXN)	Tax on excess (%)
0.01	6,942.36	0	1.92
6,942.36	58,922.28	133.28	6.40
58,922.28	103,550.52	3,460.01	10.88
103,550.52	120,372.96	8,315.57	16.00
120,372.96	144,119.40	11,007.14	17.92
144,119.40	290,667.84	15,262.49	21.36
290,667.84	458,132.40	46,565.26	23.52
458,132.40	874,650.11	85,952.92	30.00
874,650.11	1,166,200.08	210,908.23	32.00
1,166,200.08	3,498,600.12	304,204.21	34.00
3,498,600.12	and above	1,097,220.21	35.00



- If the employee is considered a non-resident for Mexican tax purposes, the tax rate applicable to compensation will vary from 15% to 30%.
- The first MXN 125,900 of employment income received in a 12-month floating period will be tax exempt.
- The following tax table is applicable to income tax with respect to income earned by non-residents for the calendar year 2020:

Taxable income (MXN)		Tax Rate (%)
Over	Not Over	
0	125,900	Exempt
125,900	1,000,000	15
1,000,000	and above	30



Social Security Contributions

- The social security system in Mexico provides the following benefits:
 - Medical assistance in cases of illness, maternity care and accidents
 - Indemnities in cases of temporary disability
 - Pensions for disability, old age and death
- Medical-assistance benefits extend to the members of an employee's family, including the spouse, parents and children.
- The maximum rate of the social security contribution payable by employees is approximately 2.775% of the integrated salary.
- The contribution is withheld by the employer from wages.
- The maximum rate of the social security contribution payable by employers can reach 36.69% (including the percentages for job hazard and the Federal Retirement and Housing Funds).
- The maximum amount of salary that may be used to compute the social security contribution equals 25 times the UMA.
- These contributions are all subject to caps that are determined based on a multiple of the UMA.
- For 2019, the maximum annual social contributions per employee are approximately MXN130,892 for the employer portion (this figure includes Housing Fund and mandatory pension costs) and MXN21,024 for the employee portion.
- Employers must contribute 5% of salaries (limited to 25 times the UMA) to the Housing Fund, which provides funds for the construction of housing for workers.

- Employers' contributions to a pension plan that is managed by a bank in the employee's name equal 2% of an employee's compensation.
- The maximum amount of salary that may be used to compute the pension plan contribution equals 25 times the UMA.

Social Security Contributions		
Contribution	Employer	Employee
Social Security Contribution	36.69%	2.775%



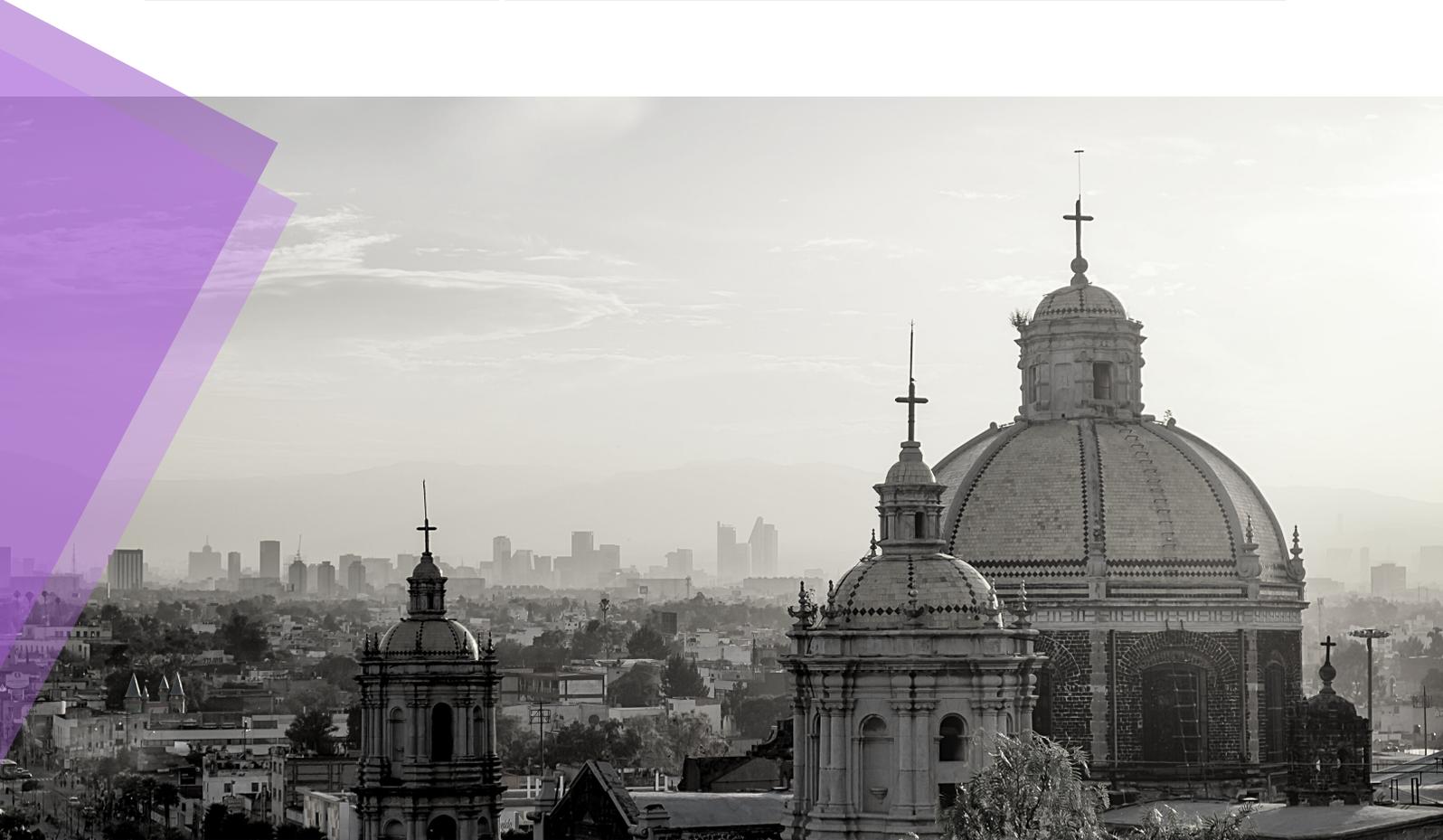
Deductible Expenses

- As of 2016, personal deductions have been limited.
- The general limit for 2020 is the lesser of
 - a. 15% of the yearly overall income of the taxpayer or
 - b. an amount equal to five annual UMA (a maximum of MXN 158,469).
- Charitable contributions, retirement accounts, and education expenses are not subject to this general limit and have separate limits.
- Medical expenses will not be subject to this limit provided that the individual has a medical certificate issued by a government health institution.
- Contributions made to authorized charities are deductible, limited to 7% of the prior year's taxable income.
- Resident taxpayers are allowed to deduct un-reimbursed medical, dental, nutritionist, psychologist, and funeral expenses for themselves and their dependents, as well as health insurance premiums subject to the general limit. Such expenses are not deductible if they are paid in cash.
- Home mortgage interest (adjusted for inflation) is deductible, subject to the general limit and a cap on the loan value.
- Contributions to certain special private retirement accounts and voluntary contributions to the retirement accounts of the Mexican social security system are deductible (limited to certain amounts). Withdrawals from these plans become taxable income.
- Taxpayers are allowed to deduct tuition expenses paid for their spouse, children, parents, and themselves. The maximum amount deductible per student varies from MXN 12,900 to MXN 24,500, depending on the level of education.
- There are no standard deductions in Mexico.
- Business owners and independent professionals are allowed to deduct most of the same business expenses as corporations



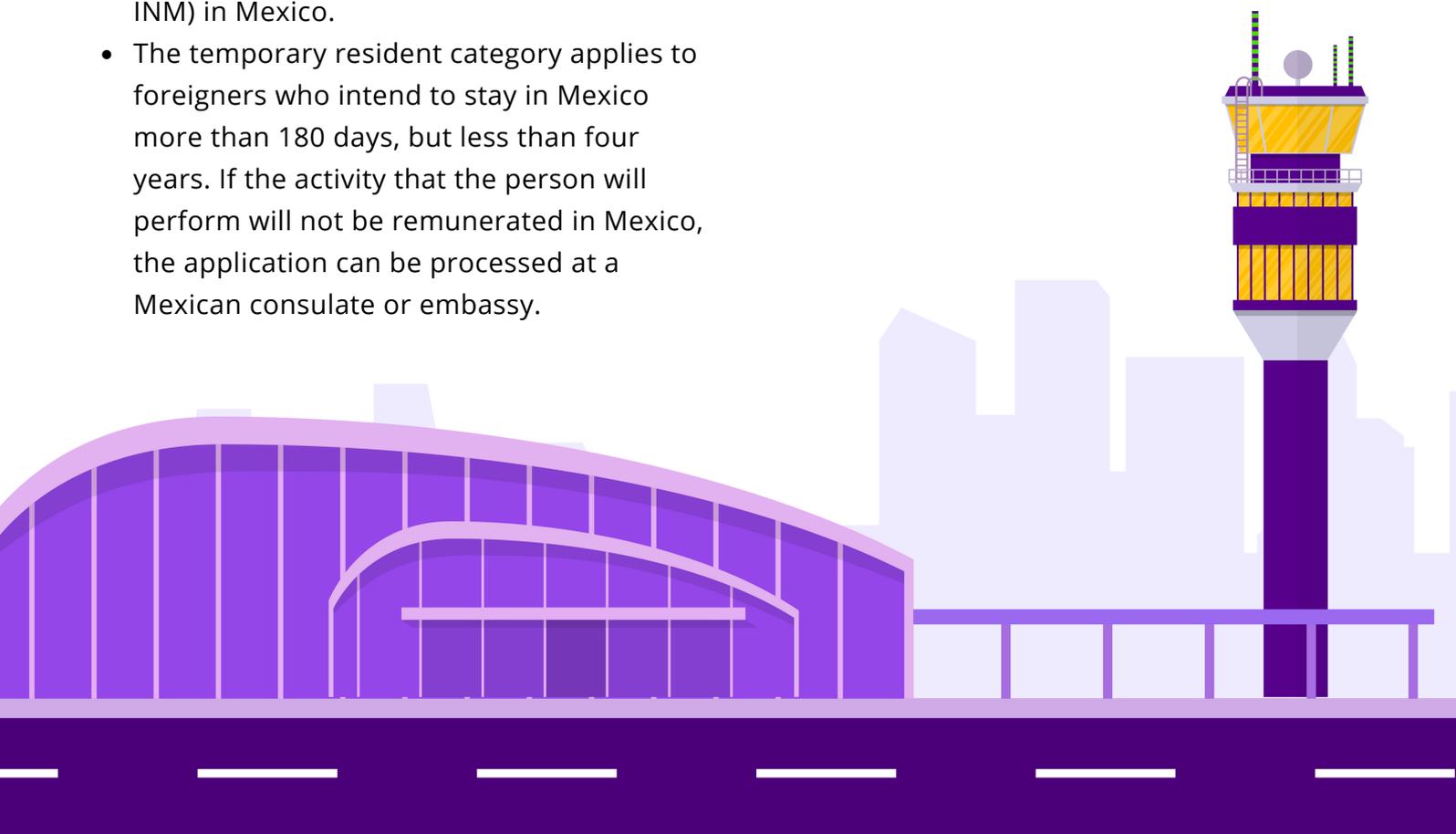
Deductible Expenses

<p>Charitable contributions</p>	<ul style="list-style-type: none"> • Contributions made to authorized charities are deductible, limited to 7% of the prior year's taxable income.
<p>Medical, dental, nutritionist, psychologist, and funeral expenses</p>	<ul style="list-style-type: none"> • Resident taxpayers are allowed to deduct un-reimbursed medical, dental, nutritionist, psychologist, and funeral expenses for themselves and their dependents, as well as health insurance premiums subject to the general limit. Such expenses are not deductible if they are paid in cash.
<p>Home mortgage interest</p>	<ul style="list-style-type: none"> • Home mortgage interest (adjusted for inflation) is deductible, subject to the general limit and a cap on the loan value.
<p>Retirement accounts</p>	<ul style="list-style-type: none"> • Contributions to certain special private retirement accounts and voluntary contributions to the retirement accounts of the Mexican social security system are deductible (limited to certain amounts). Withdrawals from these plans become taxable income.
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Immigration

- Foreign nationals entering Mexico are classified under the following immigration categories:
 - Visitor
 - Temporary resident
 - Permanent resident
- The visitor category has two subcategories, which are visitor without authorization to perform remunerated activities in Mexico and visitor with authorization to perform activities remunerated in Mexico.
- A visa for a visitor with authorization to perform activities remunerated in Mexico allows foreigners to stay in Mexico up to 180 days, with permission to be remunerated in Mexico for activities carried out in the country.
- The application for this type of visa must be submitted through the National Immigration Institute (Instituto Nacional de Migración, or INM) in Mexico.
- The temporary resident category applies to foreigners who intend to stay in Mexico more than 180 days, but less than four years. If the activity that the person will perform will not be remunerated in Mexico, the application can be processed at a Mexican consulate or embassy.
- Otherwise, it must be approved directly by the INM in Mexico.
- After temporary resident status is granted, it is renewable for an additional three years.
- Temporary residents are eligible to apply for the same status for family members.
- This application may be processed either at a consulate abroad or at the INM in Mexico.
- The permanent resident category applies to foreigners staying in Mexico for an indefinite time period.
- Permanent residents may work and receive remuneration in Mexico.
- Permanent residents are also eligible for family reunification status if they meet the requisites established in the applicable regulations and rules



Type of Visa/ Permits	Documentation	Validity	Eligibility
Visitor Visa with authorization to work	<ul style="list-style-type: none"> Valid Passport Copy of passport Visa application form 1 recent photograph 	180 days	<ul style="list-style-type: none"> Individuals seeking to work on a short term basis
Temporary Residence	<ul style="list-style-type: none"> A Mexico Visa Application Form, printed and signed A passport or other travel document A photocopy of the passport Recent passport-size pictures Visa fee payment Proof you have obtained a Mexico Work Permit and a copy of your work contract if applying for a Mexico Work Visa 	1 year (can be renewed for 1 to 3 years)	<ul style="list-style-type: none"> Temporary Resident Visa is intended for people who wish to reside in Mexico for more than 180 days but not longer than four years.



Value Added Tax (VAT)

- Mexico introduced a Value Added Tax regime in 1980.
- Locally, it is known as Impuesto al valor agregado (IVA).
- It is administered by the Ministry of Public Finance and Credit.
- The current Mexico VAT (Value Added Tax) is 16.00%.
- The VAT is a sales tax that applies to the purchase of most goods and services.

VAT Rates	
Standard Rates	16%
Zero Rate	0%

Withholding Tax

Dividends

- A company that distributed dividends to a nonresident or resident individual must withhold a 10% tax, which is considered a final tax.
- For nonresidents, the 10% rate may be reduced under a tax treaty, if certain requirements are met.
- The 10% tax may be reduced for dividends paid to Mexican resident individuals if profits generated in 2014, 2015 and 2016 are reinvested and distributed as from 2017.

Interest

- Interest paid to a nonresident generally is subject to withholding tax at rates ranging from 4.9% (interest paid to foreign banks and listed debt instruments) to 35%.

- A 40% rate applies where interest payments are made to a related party located in a tax haven.
- The rate may be reduced or relief may be available under a tax treaty.

Royalties

- Royalties paid to a nonresident are subject to a withholding tax of 35% (patents and trademarks) or 25% (other kinds of royalties), unless the rate is reduced under a tax treaty.
- A 40% rate applies where royalties leasing of machinery and equipment generally is considered a royalty

Technical Service Fees

- Fees paid for technical assistance are subject to a 25% withholding tax, unless the rate is reduced under a tax treaty

Branch Remittance Tax

- Permanent establishments distributing dividends or gains to their head office are subject to an additional tax of 10% on such dividends or gains

WHT	
Dividends	<ul style="list-style-type: none">• 10%
Interest	<ul style="list-style-type: none">• 4.9% to 35% (paid to nonresident)• 40% (interest paid to a related party located in a tax haven)
Technical Service Fees	<ul style="list-style-type: none">• 25%
Branch Remittance Tax	<ul style="list-style-type: none">• 10%



Termination

- Employment agreements can be terminated for the following reasons:
 - By mutual agreement (including resignation)
 - Death of the employee
 - Employee's physical or mental incapacity or disability which makes working impossible
 - For cause
- Where the parties reach an agreement to terminate the employment relationship through mutual consent, there is no requirement to file a notice of the termination with the Labor Board (although the parties can opt to execute an employment termination and release agreement and ratify it before the Labor Board).
- Where the employer terminates the employment relationship with just cause (as defined under the FLL), the employer must notify the employee of the termination and reasons for it (either directly to the employee or through the Labor Board by means of an employment termination notice).
- There is no obligation under the law for either employers or employees to notify the other party in advance of a dismissal or resignation.
- Notice obligations for employees are not recognizable or enforceable under local law.
- Employees hired for an indefinite term who are dismissed without a just cause (as defined in the FLL) are entitled to claim reinstatement or the payment of mandatory severance

Statutory Benefits

- These are mandatory benefits as postulated by law
- These benefits include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, severance pay and 13th month pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Sick Leave

Maternity Leave

Paternity Leave

Overtime Pay

Severance Pay

13th Month Pay

Social Security Benefits

- However, if real interest exceeded MXN100,000 and if taxes were withheld on such interest, the individual must file an annual return.
- Personal income taxes of employed residents and nonresidents are withheld at source.
- A resident individual taxpayer may elect to pay the remaining tax due either when the annual return is filed or in installments with interest over a six-month period.
- Self-employed individuals must make monthly tax payments on account of their annual tax.
- Individuals filing monthly tax returns must open a Mexican bank account and make their advance tax payments through electronic transfers via the Internet.
- Resident employees of foreign resident companies who work in Mexico must make monthly estimated payments on account of their annual tax if their companies do not have permanent establishments in Mexico or if their compensation is not reflected on a Mexican company's payroll.
- For such purpose, they must open a Mexican bank account and make their advance income tax payments through electronic transfers via the Internet.
- Married persons are taxed separately, not jointly, on all types of income.

Payments and Invoicing

- For individuals, the fiscal year in Mexico is the calendar year.
- Annual tax returns must be filed during April, but no later than 30 April of the following year.
- Filing extensions are not granted.
- Taxpayers who receive income from salaries and interest not exceeding MXN400,000 are not required to file annual tax returns.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Mexico ranked 60th in the World in 2019 in terms of ease of doing business.



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